Compliance Effectiveness:
Can You Risk the Risk?

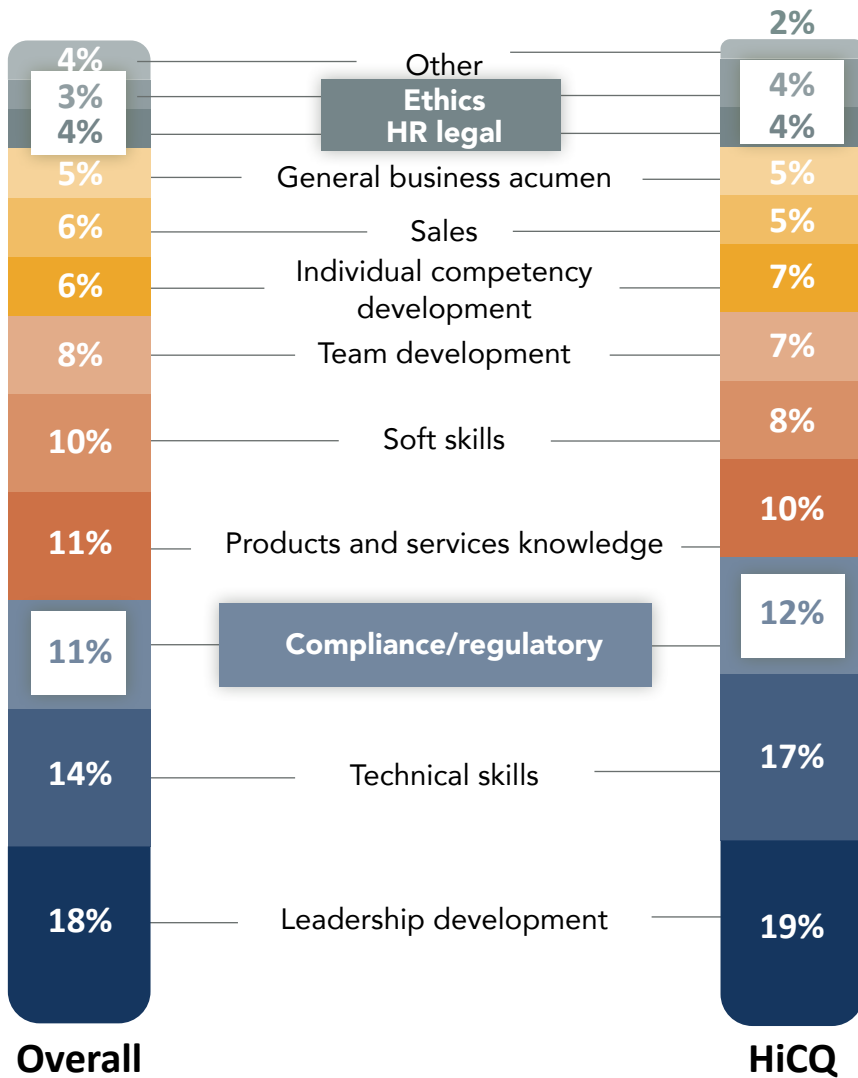**Brandon Hall Group**

2018

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Compliance is a Big Deal

Compliance affects every organization, regardless of size, industry or geography. It could be something as simple as an employee handbook, to complex legal and financial regulations – or life and death matters. Because of this, it takes up a significant portion of the learning budget if we combine compliance training, HR/legal training and ethics training.

Overall	Category	HiCQ
4%	Other	2%
3%	Ethics	4%
4%	HR legal	4%
5%	General business acumen	5%
6%	Sales	5%
6%	Individual competency development	7%
8%	Team development	7%
10%	Soft skills	8%
11%	Products and services knowledge	10%
11%	Compliance/regulatory	12%
14%	Technical skills	17%
18%	Leadership development	19%

Source: Brandon Hall Group Compliance Training Study (n=203)

High-Consequence Industries

"High-consequence industries" are those where accidents or failures can be catastrophic, causing:

- Loss of life (e.g. aviation, healthcare, life sciences)

- Disruption to society or environment (e.g. energy, transportation, financial services, government)

- Risks or threats to consumer safety (e.g. healthcare, food processing, pharma, manufacturing)

For organizations in high-consequence industries (HiCQ), compliance is critical, requiring additional resources. For these companies, compliance training takes the biggest chunk of the budget, even before factoring in HR/Legal and ethics.

Compliance Requires Investment

A compliance budget can account for thousands of dollars per employee per year. Nearly one-third of HiCQ companies spend more than $5,000 per employee annually on compliance.

Cost Per Employee Per Year

43%	17%	8%	7%	6%	15%

4%

- $0 - $500
- $501 - $1,000
- $1,001 - $2,000
- $2,001 - $3,000
- $4,001 - $5,000
- $3,001 - $4,000
- More than $5,000

Cost Per Employee Per Year — HiCQ

31%	24%	8%	6%	5%	23%

3%

Source: 2018 Brandon Hall Group

Considerations

One of the biggest training areas

Invest in content creation
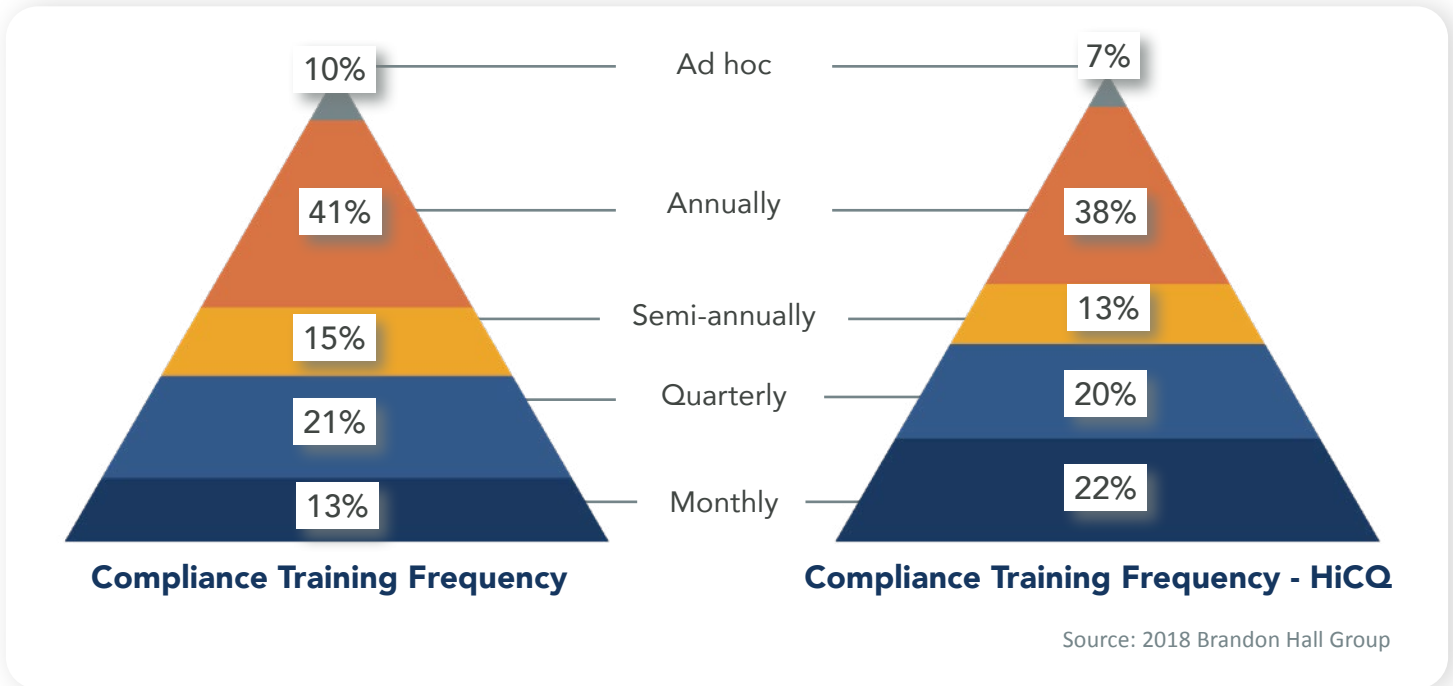
Gets the least attention

Costs of doing it poorly

Fines   Lawsuits   Accidents   Slowdowns

Compliance Takes Time

10%	Ad hoc — 7%
41%	Annually — 38%
15%	Semi-annually — 13%
21%	Quarterly — 20%
13%	Monthly — 22%

Compliance Training Frequency   **Compliance Training Frequency - HiCQ**

Source: 2018 Brandon Hall Group

As companies shift to a more dynamic, continuous-learning model in most other areas, compliance training remains a static, event-driven undertaking. More than 40% of companies say that employees engage in compliance training annually. Few companies deliver compliance training on a more regular basis, even in HiCQ industries. We also see no real separation in the number of hours employees spend annually in compliance training. This demonstrates that regardless of how critical compliance may be, there are only a finite number of hours available to deliver it. Companies must think about new approaches to make the most of available time.

0-10
48%
50%

0-10
13%
17%

Compliance Training Hours

● HiCQ   ● Overall

11-25
33%
30%

11-25
3%
3%

2%
1%
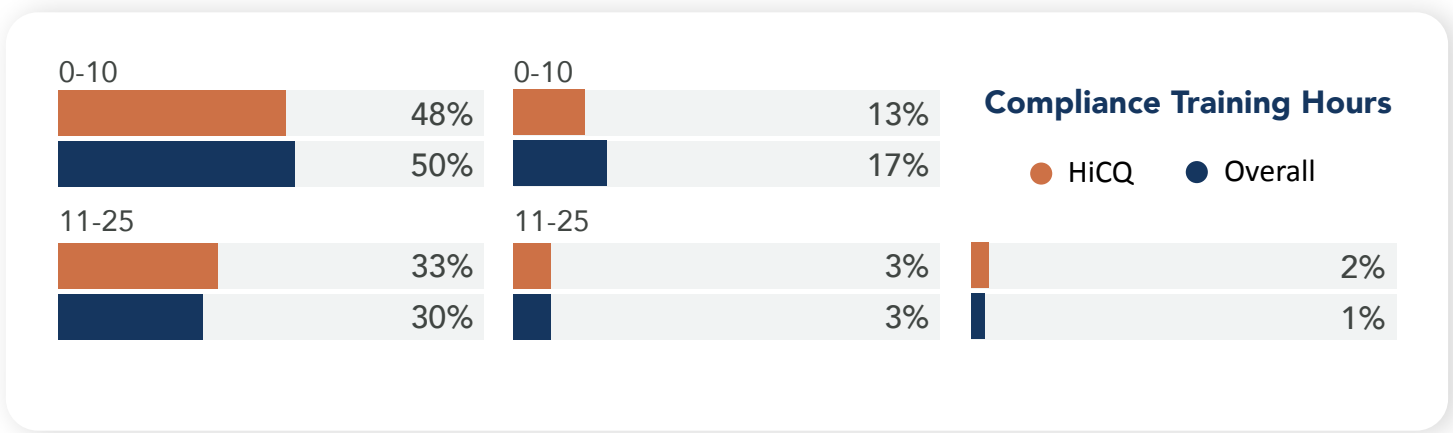
Compliance training is usually required by applicable laws and regulations, so it is a high priority. It's also typically the first learning experience new employees have within an organization, so it impacts the most employees. This should be driving employers to seek new, better and more impactful compliance training experiences, rather than relying on boring and outdated content and courses.
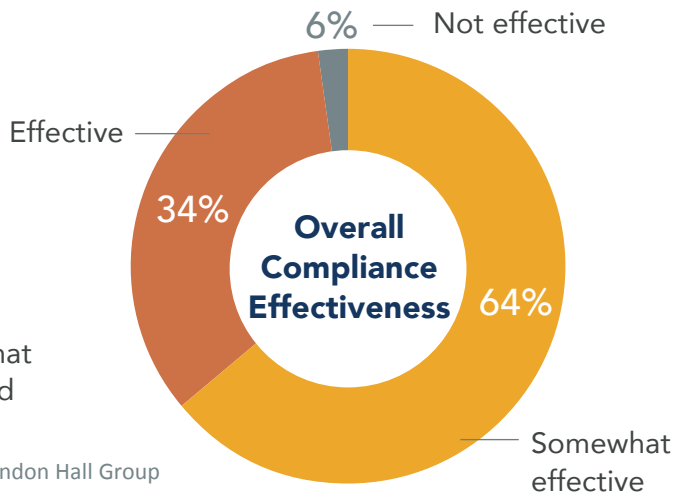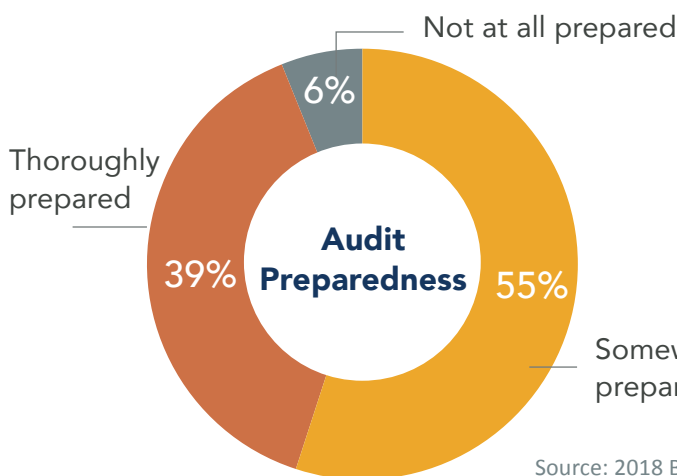
The first learning experience

The most common learning experience

Hours often mandated

In a sense, compliance is an organization's insurance policy. Proper training can help prevent fines, production mistakes, defects etc. Compliance is a process that entails staying abreast of regulations, maintaining relevant policies and procedures, implementing continuous training and professional development, and self-auditing. This can be arduous, but the consequences for noncompliance are worse. Not having a good compliance program in place can cost millions of dollars. When compliance discrepancies in your business do occur, regulators will want to know two things: what process did your company have in place to prevent the discrepancy before it occurred and what did you do once you realized that you had a problem. Chances are, your potential fines or sanctions will be reduced if you can demonstrate that you have an effective compliance program in place.

Compliance Challenges

Audit Preparedness

Not at all prepared 6%
Thoroughly prepared 39%
Somewhat prepared 55%

Overall Compliance Effectiveness

Not effective 6%
Effective 34%
Somewhat effective 64%

Source: 2018 Brandon Hall Group

Audit Preparedness

Despite its scope and importance, compliance training is not providing organizations with a good return on their investment. Only 34% of companies report their compliance training efforts are effective. When it comes to compliance, "somewhat effective" means "not effective." In other words, compliance training expectations are falling short for two-thirds of companies. And while other forms of training may have similar effectiveness results, the outcomes are much more serious for compliance. This is evidenced by the fact that only 40% of companies say they are fully prepared for a compliance audit. If a company is not "fully prepared," it is not prepared at all. When it comes to an audit, a company is either compliant or not, with no gray area.

Organizations should strive to be in a constant state of audit preparedness. Leveraging your LMS can help. An LMS serves as a centralized data repository to hold training records, competencies, certificates and more. Reports can provide a summary of your employees' real-time status and history, and auto notifications help ensure your staff is compliant with their training.

The right LMS and programs can also prepare the organization for an audit — and not just in terms of compliance training. Employees and managers should be trained on how to manage an audit, produce records and documentation, and handle discrepancies. They can also be trained on what to share and where to find information they don't have but need. The automation of compliance processes also takes some of the human error element out of the audit process.

Compliance Effectiveness

Thoroughly prepared for audit

24% | Not at all effective/ Somewhat effective

69% | Effective

When it comes to preparedness, there is a direct correlation between a company saying their compliance training efforts are effective and being prepared for an audit.

GOAL ACHIEVED

0% ▢▢▢▢▢▢▢▢▢▢▢▢▢▢▢▢▢▢ 100%

Compliance must be visible. To support a culture of compliance, people must see the value in it. That means, a focus on measurement beyond training completion rates. It's far more important to measure performance outcomes against training programs. For example, a manufacturing company can measure the number of accidents occurring in relation to training to see if there is an impact, and if training should be revisited when numbers go up. Product defects and recalls, and other metrics can be used to demonstrate the effectiveness of compliance training.
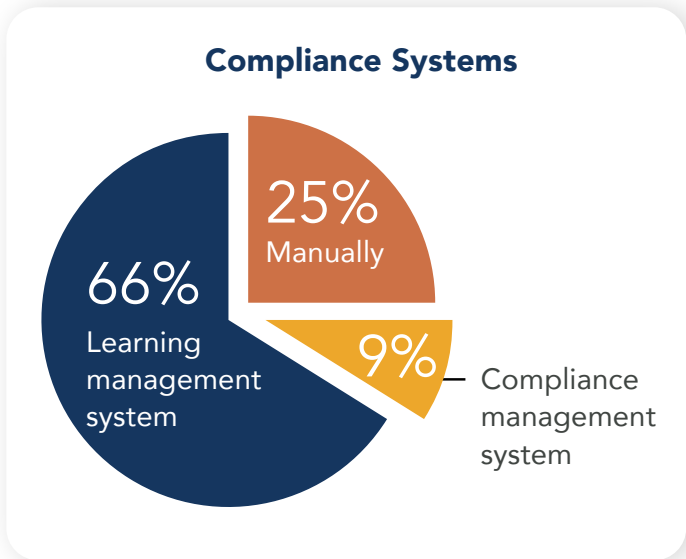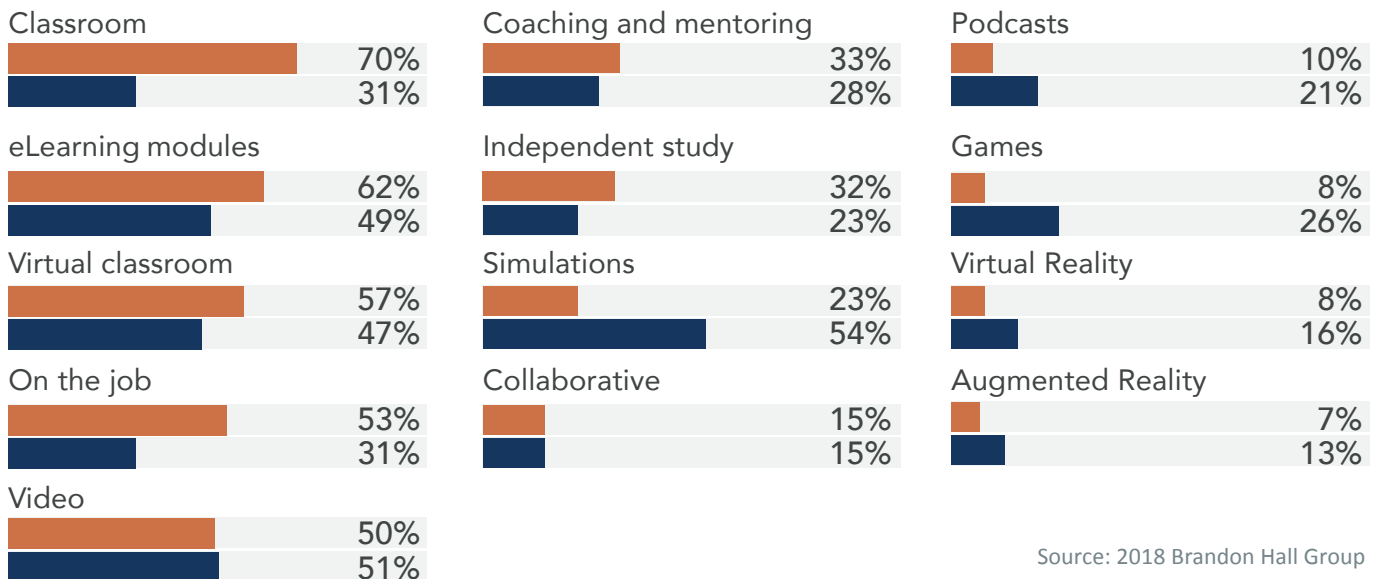
Managing Compliance

About one third of all compliance training is still managed manually. That means spreadsheets, intranet sites — even paper and pencil. It also means difficulty in demonstrating compliance. It can be extremely tough to gather data stored in various formats and ensure everything matches up. As organizations continue their digital transformation, compliance training has even further to go.

Compliance Systems

66% Learning management system

25% Manually

9% — Compliance management system

While companies deploy a wide variety of modalities for compliance training, in-person instructor-led training is the most common, used by nearly two-thirds of companies. Other common modalities include videos, virtual classrooms and on-the-job training. In the future, however, we can expect to see a shift in organizational training modalities. For example, only 25% of companies say they plan to use more ILT in the future and 26% say the same for on-the-job training. On-the-job training for compliance can be tricky, as the point of compliance training is to reduce accidents, ethics complaints and the like. Companies plan to use more approaches like games, simulations and virtual reality in the future.
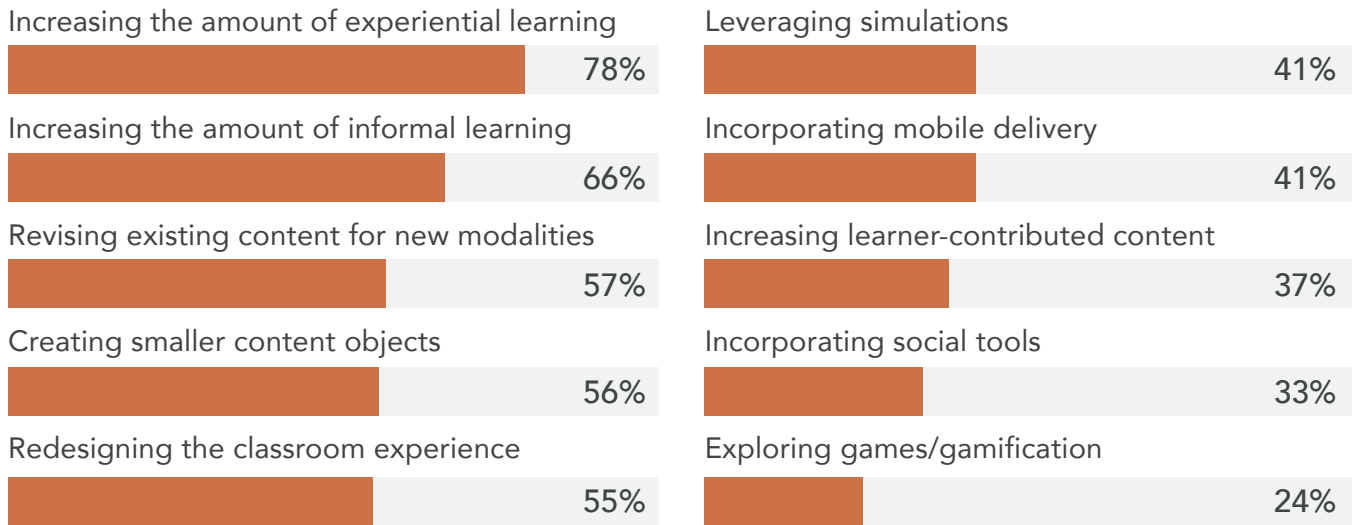
Compliance Systems

● Current   ● Future

Classroom		Coaching and mentoring		Podcasts	
Current	70%	Current	33%	Current	10%
Future	31%	Future	28%	Future	21%

eLearning modules		Independent study		Games	
Current	62%	Current	32%	Current	8%
Future	49%	Future	23%	Future	26%

Virtual classroom		Simulations		Virtual Reality	
Current	57%	Current	23%	Current	8%
Future	47%	Future	54%	Future	16%

On the job		Collaborative		Augmented Reality	
Current	53%	Current	15%	Current	7%
Future	31%	Future	15%	Future	13%

Video	
Current	50%
Future	51%

Source: 2018 Brandon Hall Group

Making It Better

Top Learning Initiatives for Improving Business Results

Increasing the amount of experiential learning
78%

Increasing the amount of informal learning
66%

Revising existing content for new modalities
57%

Creating smaller content objects
56%

Redesigning the classroom experience
55%

Leveraging simulations
41%

Incorporating mobile delivery
41%

Increasing learner-contributed content
37%

Incorporating social tools
33%

Exploring games/gamification
24%

Source: 2018 Brandon Hall Group

Organizations seek to fundamentally shift the way they deliver learning, incorporating new modalities and technologies to make it more engaging and impactful. The type of learning that drives results in a modern environment typically has these characteristics. There is no reason the majority of compliance training cannot evolve as well. Flexible, continuous learning can prevent compliance training from becoming boring and unimportant in the eyes of the learner. At the same time, it can drive results, as the training becomes more contextual and relatable.

Modern Learning

Contextual
- Role
- Location
- Development path

Small
- Short videos
- Quick updates

Informal
- Daily
- Ad hoc

Mobile
- Downtime
- Moment of need

Social
- Discussions
- Recommendations

Takeaways

- Compliance covers a wide variety of strategic and operational needs in many types of businesses.

- Compliance is typically the first learning experience.

- Compliance should be influenced, if not driven, by the most impacted function(s).

- Identify all of your organization's regulatory/reporting requirements, and work with vendors with that functionality and expertise.

- Reporting and analytics are critical.

- Automated management can improve efficiency in resource-constrained or widely dispersed organizations.

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